

## **TR 215**

### **Facts**

D is incorporated in Mauritius on 20 October 2004 and holds a Category 1 Global Business Licence. The principal activity of D is that of investment holdings.

D is wholly owned by T, a company registered in the United States of America (“USA”).

D currently holds 99.998% of the shares of S, a company incorporated in the Republic of India. The shares were acquired on 9 December 2004.

D proposes to transfer all its shareholding in S to its holding company T in USA. The transfer of the shares will be *cum div*.

For the purposes of ascertaining the ‘gain’ resulting from the transfer of the shares, the value of the shares of S will be based on its fair market value.

### **Point at issue**

Whether the ‘gain’ resulting from the transfer of the shares held in S will be treated as exempt for income tax purposes in Mauritius?

### **Ruling**

On the basis of facts mentioned above, it is confirmed that ‘gain’, exclusive of any dividends payable at the date of transfer, arising on the transfer of the shares in S will be exempt from income tax by virtue of the provisions of item 7 of Sub-Part C of the Second Schedule to the Income Tax Act. Such dividends, if any, will be liable to income tax in Mauritius.